

EX -IM BANK MULTI-BUYER EXPORT CREDIT INSURANCE SHORT-TERM POLITICAL RISKS

SUMMARY

Companies exporting U.S. goods on credit terms can insure their foreign receivables against losses due to political reasons with the Short-Term Political Risks Policy.

The Political Risks policy protects a company's export sales against a foreign buyer's failure to pay an obligation because of specified political events. Ex-Im Bank indemnifies an exporter for 100% of any covered loss subject to applicable coverage limitations described below.

WHAT IS COVERED

This policy insures short-term sales of raw materials, spare parts and consumer goods with repayment terms of up to 180 days. Sales on terms up to 360 days can be covered for capital goods, consumer durables, bulk agricultural commodities and fertilizer. Coverage applies to credit sales for any goods produced in and shipped from the United States during the policy period. Goods must be at least 50 percent U.S. content (labor and material) excluding mark-up. Raw materials and bulk agricultural commodities must be of 100 percent U.S. origin. Receivables for defense products are not eligible for cover.

TYPES OF LOSSES COVERED

The Political Risks policy covers currency transfer risk as well as other political risks. Transfer risk is the inability to obtain U.S. dollars (or other approved currency) in a lawful market of the buyer's country. The buyer must deposit with the appropriate exchange authority the U.S. dollar (or other approved currency) equivalent of the total indebtedness in local currency on or before the due date, or within 90 days thereafter.

Other political risks include the following events taking place after shipment:

- cancellation or non-renewal of an export license;
- imposition of export restrictions not in place prior to the shipment date;
- cancellation, not due to the buyer's fault, of valid import authority;
- imposition of any law, order, decree or regulation which prevents importing products into a buyer's country;
- war, hostilities, civil war, rebellion, revolution, insurrection, guerilla activity, civil commotion or other like disturbance on or before the due date;
- requisition, expropriation or confiscation of the specific business of the buyer.

The Political Risks coverage does not apply to a loss due to:

- an importer's refusal to purchase dollars in a lawful market in a country or exchange fluctuations or currency devaluations in a buyer's country occurring on or before the due date;
- a dispute between an exporter and a buyer (until such dispute is settled);
- the fault of an exporter or its agent;
- a buyer's unwillingness to accept the products.

THE POLICY PERIOD

The policy is generally written for a one-year period, but is cancelable by either party on 30 days written notice. Receivables arising from shipments made during the policy year are eligible for coverage. At any time prior to shipment, Ex-Im Bank has the right to change policy terms or conditions.

HOW THE POLICY WORKS

The Political Risks policy insures an exporter's sales to buyers in most countries throughout the world. Generally, a company is required to insure all export credit sales under the policy. Letter-of-credit sales may be excluded.

Ex-Im Bank's Country Limitation Schedule is made part of the policy and indicates which countries are eligible for coverage and special conditions or limitations on terms of sale.

Ex-Im Bank has published its Short Term Credit Standards (EIB99-09) for Exporters which may be consulted to determine the likelihood of approval for a policy. The application form is EIB92-50.

COVERAGE LIMITS

The Political Risks policy establishes a \$5 million per country liability limit. This limit may be superseded by a lesser amount specified in the Country Limitation Schedule or by endorsement and is subject to the aggregate limit specified in the policy declarations. A limit in excess of this amount may be authorized by endorsement upon an exporter's application.

PREMIUM RATES AND PAYMENT PROCEDURES

Premiums are based on many factors, including length of terms offered, buyer type, country mix and transaction type.

Shipment reports, form EIB92-27, accompanied by the premium payment, must be submitted by the end of the month following the month of shipment. Premium must be paid on all shipments except those made to buyers in ineligible countries or those specifically excluded by policy endorsement. A minimum advance premium of \$500 is collected upon issuing the policy.

INTEREST COVERAGE

Documented interest is covered up to rates specified in the interest coverage endorsement. It is covered up to 180 days after the due date (or fewer days when the claim is settled earlier).

Documented interest coverage is limited to the lesser of:

- the rate specified in the obligation
- the rate legally valid in the buyer country
- the rate below applicable to the approved currency designated in the sales contract:

U.S. Dollars: The Wall Street Journal New York published prime rate minus 0.5 percent;
Swiss Francs, French Francs, German Deutsche Marks, UK Pounds Sterling, Canadian Dollars and Japanese Yen: the six-month Euro-offered rate plus 0.5 percent.

Principal and interest coverage is also available for obligations denominated in local or third country currencies, at varying rates, depending upon the currency involved.

OVERDUES AND CLAIMS

Exporters must report, form EIB92-27, on a monthly basis, all amounts in excess of \$100,000 that are 90 days or more past due. An updated monthly overdue report should be submitted for as long as the overdue situation exists, or until a claim is filed.

When claims are submitted, copies of all documents pertaining to the transaction, such as invoices, bills of lading, promissory notes and guarantees, should be forwarded with the proof of loss form, EIB92-25, for review.

MORE INFORMATION

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Mid-Atlantic - Washington, DC	(202) 565-3940 Fax (202) 565-3932
Southeast - Miami	(305) 526-7425 Fax (305) 526-7435
Midwest - Chicago	(312) 353-8081 Fax (312) 353-8098
Southwest - Houston	(281) 721-0465 Fax (281) 679-0156
West - Long Beach	(562) 980-4580 Fax (562) 980-4590
<i>Satellite</i> - San Jose, CA	(408) 271-7300 ext. 104 Fax (408) 271-7307
<i>Satellite</i> - Orange County, CA	(949) 660-1688 ext. 150 Fax (949) 660-8039

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